

National Grange

Of THE ORDER Of PATRONS Of HUSBANDRY

A New Century - A New Grange



Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
)
2002 Biennial Regulatory Review --)
Review of the Commission's Broadcast)
Ownership Rules and Other Rules Adopted)
Pursuant to Section 202 of the)
Telecommunications Act of 1996)
)

MB Docket No. 02-277

To: The Commission

REPLY COMMENTS
OF
THE NATIONAL GRANGE OF THE ORDER OF PATRONS OF HUSBANDRY

The National Grange of the Order of Patrons of Husbandry (*the "Grange"*) hereby submit these reply comments to encourage the Commission to modify the national television ownership cap.

The Grange is the oldest general farm and rural public interest organization in the United States. Founded in 1867, today the Grange represents nearly 300,000 individual members affiliated with 3000 local, county and state Grange chapters across rural America. More than 70% of all local Grange chapters are located in communities of 2500 persons or less.

The Grange recognizes the importance of broadcast television to the public welfare, especially in rural communities. Approximately 20% of the nation's households

do not subscribe to pay services and rely on over the air programming for news and entertainment. Rural Americans rely disproportionately on free television broadcasts, compared to Americans living in urban and suburban communities, for vital information, including weather, emergency situations, local and national news as well as entertainment programming. This is because the pay per view television industry, which has been growing rapidly in urban and suburban communities, does not serve rural America comprehensively. Cable and satellite services currently cover less than thirty (30%) percent of all local markets with fewer than eighty-five (85,000) thousand homes. The costs of extending existing cable infrastructure to most rural communities continues to be prohibitive. While satellite broadcast systems are increasingly popular in many rural communities, there are still significant additional capital costs for rural individuals to purchase, install and maintain these systems that are above and beyond the monthly programming service fees for satellite based television systems. In addition, line of sight limitations in many rural locations that arise from mountains, trees or other obstructions can physically restrict access to high quality satellite broadcast signals for rural residents. These factors, (costs, service and infrastructure) have restricted the competitive growth of pay for view television service in rural communities and require rural Americans to rely on free television broadcasts for comparable service.

The national television ownership cap, as currently defined, discriminates against free over the air broadcasting because it measures potential viewing audience share while the national ownership cap for cable measures actual audience share. Because cable penetration is staggeringly high in many local markets, nearing or exceeding 85% in many large markets, and cable is not subject to the same national restrictions as broadcast

television, the Commission should modify the national television ownership cap to enable broadcast networks to own more local outlets. This change would level the playing field and create regulatory balance, allowing free over the air television to compete for capital and talent with cable through the acquisition of additional local stations for an indispensable supplemental revenue stream. Unless these regulatory imbalances are corrected, the future of free over the air television is uncertain as more sports, public affairs, local programming, emergency services and other programming migrate towards the pay services that are not available in the majority of rural communities.

Unless free, over the air television is permitted to expand via a modification of the ownership caps, it will continue to lose audience share to the pay services. This diminution in viewers will certainly lead to least cost or inferior programming on broadcast television, or even a seismic shift towards pay services. For rural viewers in particular, the issue is not just the extra costs of pay television services but the systematic lack of access to these services in rural communities. Migration of capital and talent to pay TV services will ultimately result in inferior television programming being the ONLY option in many rural communities.

We submit that a relaxation of the caps as described herein will not diminish the importance of localism. Whenever a network buys a local station, it strives to hire and retain the best local talent who are known to the local population because it wants to be the most popular and profitable station in the market. The data in this proceeding demonstrate that network owned-and-operated stations actually air more local news (other factors being equal) than other stations. Localism is in fact a very good business model for free over the air television that will flourish if the cap is relaxed.

Station ownership by the television broadcast networks has served the public interest since the beginning of television. It continues to actively serve the interests of millions of rural television viewers across the nation. The FCC should pay particular attention to this significant portion of the population who live in rural communities as it makes its final decisions on the broadcast caps. The Federal Communications Commission should take steps to ensure that television broadcast networks have the necessary regulatory freedom to continue to serve rural America with quality free over-the-air broadcast programming by lifting or modifying the national broadcast television station group ownership cap . This approach will not create any additional regulatory or commercial burden on the pay television industry. Instead it will allow the free television broadcast industry greater flexibility to meet the requirements of a competitive and rapidly evolving television market by maintaining the ability of the industry to attract the capital and the talent necessary to provide quality over the air broadcasts that serve the interests of rural Americans.

Respectfully submitted,

Leroy Watson

Leroy Watson
Director of Legislative Affairs
The National Grange
1616 H Street, N.W.
Washington, D.C. 20006

February 3, 2003